

Minutes
Joint Legislative Program Evaluation Oversight Committee Meeting
November 20, 2013, 2013

Members Present

Senator Fletcher Hartsell, Chair
Senator Stan Bingham
Senator Ben Clark
Senator Ralph Hise
Senator Neal Hunt
Senator Shirley Randleman
Senator Jeff Tarte, Advisory Member

Representative Julia Howard, Chair
Representative Justin Burr
Representative Jean Farmer Butterfield
Representative Bryan Holloway
Representative Pat Hurley
Representative Marvin Lucas
Representative Edgar Starnes
Representative Nelson Dollar, Advisory Member

Call to Order

Senator Fletcher Hartsell, Chair, called the meeting to order.

Senator Hise moved to approve the October 23, 2013 *Minutes*. Motion carried.

Presentations and Appearances

Senator Hartsell recognized Beth Wood, State Auditor, for remarks on the audit of the Medicaid Program within the Department of Health and Human Services (DHHS). She noted that DHHS provided incomplete information to the Joint Legislative Oversight Committee on Health and Human Services Committee during its October 8, 2013 meeting. She referenced letters that she had sent to Representative Justin Burr and Senator Ralph Hise as Co-Chairs of the Joint Legislative Oversight Committee on Health and Human Services rebutting statements made by the *Health News* website about a draft version of the Department of Health and Human Services response to the Medicaid audit of January 2013.

Senator Hartsell recognized Kiernan McGorty, Principal Program Evaluator to present the Program Evaluation Division report, *Local Boards and Association Administer Firefighters' and Rescue Squad Workers' Relief Funds with Limited State Oversight*. The Firefighters' Relief Fund, which has state and local components, and the Rescue Squad Workers' Relief Fund, which provide benefits to firefighters and rescue personnel.

Senator Hartsell appointed a subcommittee to meet separately from the JLPEOC and report on what actions, if any, the joint committee might consider recommending to the General Assembly based upon the PED report. JLPEOC members appointed include the following:

Julia Howard, Chair
Rep. Edgar Starnes
Rep. Becky Carney
Rep. Marvin Lucas
Sen. Jeff Tarte, Advisory Member
Sen. Shirley Randleman
Sen. Stan Bingham

Senator Hartsell recognized Sean Hamel, Senior Program Evaluator, for a status update on the administrative actions of the Department of Administration on the Indian Cultural Center site. Sean reported that the deadline for Lumbee Tribe to purchase the property would be December 18, 2013 and sale of the property to the Lumbee Tribe would be subject to consultation of the JLPEOC committee.

Senator Hartsell recognized Jeff Grimes, Senior Program Evaluator, for a status update on transfer of State funds from the NC Rural Economic Development Center, Inc. (Rural Center) to the Department of Commerce. At the August 19 Committee meeting, the State Auditor presented an audit that found that the Rural Center had earned approximately \$20 million in interest on state funds over the previous five fiscal years that was not available to the State. The Rural Center has stated that approximately \$11.6 million of the \$20 million in interest remains and is proposing to return approximately \$4.3 million to the State as part of an agreement with the Department of Commerce. Grimes stated that the Department of Commerce reports having a tentative agreement with the Rural Center on the transfer of funds to the State as part of the transfer of grant responsibilities to Commerce. Amounts are subject to change, but the total transfer of funds to the State would be approximately \$109 million. The Department of Commerce is working with the Rural Center to finalize an agreement to transfer funds and hopes to close on the transaction by the end of October 2013. Representative Howard and Senator Hartsell announced that they would request that the Department of Commerce act with great urgency to obtain a full accounting of the Rural Center's funds to identify the source of all liquid and fixed assets of the Rural Center before the Department enters into an agreement. Representative Howard requested that Mr. Grimes update the Committee on the status of Rural Center funds at the next meeting.

Attached to these *Minutes* is the Chairs' letter to the State Auditor of November 22, 2013 requesting a financial audit of all funds held by the Rural Center to ensure an orderly and acceptable transfer of responsibility and to determine whether the funds are State, federal or local.

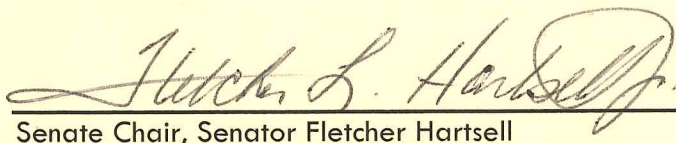
Senator Hartsell recognized Hal Pell, Legal Counsel, to explain the status of the draft bill on interest earnings on State grant funds.

Representative Howard announced that the Firefighter Finance Subcommittee would meet at 10:00AM, Tuesday November 26 and the next JLPEOC meeting will be 1:00PM Wednesday, December 18, 2013.

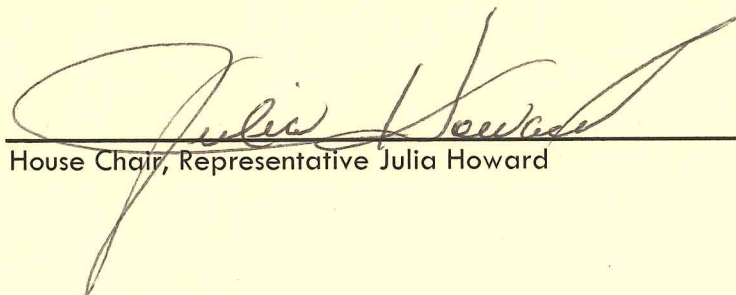
Adjournment

With no further business, the committee adjourned.

Attachments: 1



Senate Chair, Senator Fletcher Hartsell



House Chair, Representative Julia Howard



NORTH CAROLINA GENERAL ASSEMBLY JOINT LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE

300 North Salisbury Street - Room 100 Legislative Office Building
Raleigh, North Carolina 27603-5925
Phone: 919.301.1404

Chairs

Representative Julia Howard

Senator Fletcher Hartsell

Members

Senator Stan Bingham

Senator Ben Clark

Senator Dan Clodfelter

Senator Rick Gunn

Senator Ralph Hise

Senator Neal Hunt

Senator Martin Nesbitt

Senator Shirley Randleman

Representative Becky Carney

Representative Jean Farmer-Butterfield

Representative Bryan Holloway

Representative Pat Hurley

Representative David Lewis

Representative Marvin Lucas

Representative Tim Moffitt

Representative Edgar Starnes

November 22, 2013

State Auditor Beth A. Wood, CPA
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear Madam Auditor:

At the November 20, 2013 meeting of the Joint Legislative Program Evaluation Oversight Committee, a motion was passed to "Request the State Auditor to conduct a financial audit of all funds currently held by the Rural Center in order to ensure an orderly and acceptable transfer of responsibility and to determine whether the funds are state, federal, or local funds."

On October 31, 2013 the State of North Carolina entered into an agreement with the Rural Center to transfer only \$4.3 million of the approximately \$11.6 million that the Rural Center reported as remaining from the \$20 million identified by your auditors as earned in interest from state funds over the previous five fiscal years. This audit would be a retrospective independent verification of the accuracy of the financial information at the time of transfer to ensure the agreement was in the best interest of the State and its citizens. The Committee desires to obtain a full accounting of the Rural Center's funds at the time of transfer to identify the source of all liquid and fixed assets of the Rural Center. In particular, the Committee is interested in answers to the following questions:

- How accurate was the Rural Center's report that it currently holds approximately \$11.6 million in interest earnings?
- How much of the \$3 million that the Rural Center reported as being interest earnings from fund sources other than the Clean Water Partners was derived from state funds?
- Are there any additional state funds remaining at the Rural Center?

Sincerely,

Handwritten signature of Julia Howard.

Julia Howard, Chair

Handwritten signature of Fletcher L. Hartsell, Jr.

Fletcher L. Hartsell, Jr., Chair

Staff

John Turcotte, Director
Program Evaluation Division

Doris Gilbert
Committee Clerk

cc: John W. Turcotte, Director, Program Evaluation Division
Mr. John Hoomani, General Counsel, NC Department of Commerce
Dr. Pat Mitchell, Assistant Secretary, NC Department of Commerce
Rural Economic Development Division
Ms. Ashley Jones, Legislative Liaison, NC Department of Commerce